



COMMISSION NEWS

ARIZONA CORPORATION COMMISSION, 1200 W. WASHINGTON, PHOENIX, AZ 85007

TO: EDITORS, NEWS DIRECTORS
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TWO INSURANCE AGENTS AND DOT COM PROMOTER AGREE TO PAY PENALTIES AND RETURN INVESTOR FUNDS

PHOENIX – The Arizona Corporation Commission today signed three consent orders with individuals who were selling unregistered securities. Two local insurance agents agreed to return commissions and pay penalties for selling unregistered viatical settlement contracts. A Chandler man agreed to return money to investors and to pay penalties for selling unregistered stock in an online charitable fund-raising company. In total, the Commissioners ordered the respondents to return over \$270,000 to investors and to pay \$30,000 in penalties.

John F. Klatt, Marilyn Klatt & Retirement Planning Center

A 58-year-old Glendale man, John F. Klatt and his Sun City West business, Retirement Planning Center, agreed to return \$157,944 to investors and pay a \$10,000 penalty for selling unregistered viatical settlement contracts. Klatt, a licensed insurance agent, agreed to pay the penalty and return commissions he earned from selling viatical contracts issued by Mutual Benefits Corp., a Florida-based company. Klatt was not registered to offer or sell securities in Arizona.

According to the Commission's Securities Division, Mutual Benefits approached Klatt to sell viatical products. Representatives from Mutual Benefits advised Klatt that the viatical contracts were not securities, but that they were still a sound and legal investment alternative.

Viatical settlement contracts are investments in the benefits of life insurance policies, usually of the terminally ill or elderly. Various viatical companies purchase the policies at a discount and resell the benefits to investors at an amount less than the policy's full face value. When the insured person dies,

investors receive the full face value of the policy. The Commission has brought numerous cases against viatical companies, including Mutual Benefits.

The Commission found that for two years beginning in July 1999, Klatt and Retirement Planning Center sold 155 viatical contracts to at least 54 investors, some of whom were Klatt's insurance clients. The principal amount of the investments sold by Klatt totaled over \$1.8 million.

The Commission found that Klatt eventually received information in the spring of 2001 that contradicted Mutual Benefits' claims that the viatical policies were not securities. As a result, Klatt and his company terminated their involvement with Mutual Benefits, but are continuing to monitor the status of their clients' viatical contracts.

This consent order resolves the regulatory issues raised by the Securities Division without Klatt admitting or denying the facts or conclusions.

Deborah Lee Brugliera & Pristine Property & Investments, Inc.

Pristine Property & Investments, Inc. and 56-year-old insurance agent Deborah Lee Brugliera of Phoenix consented to a Commission order imposing a \$15,000 penalty and requiring her to return \$92,704 to investors. The \$92,704 represents commissions Brugliera earned by selling unregistered viatical settlement contracts. Brugliera agreed to the Commission's order without admitting or denying specific facts and conclusions.

The Commission found that Brugliera was first introduced to viatical settlement contracts in 1999 while reading an article published in an insurance trade magazine. Shortly after, Brugliera inquired about the investments with Mutual Benefits Corp. and eventually visited the Florida company's headquarters for additional marketing and sales agent recruitment meetings. During this time, Mutual Benefits' representatives provided false information by telling Brugliera that viatical investment contracts were not securities.

The Commission found that Brugliera subsequently sold approximately 54 viatical contracts totaling over \$1.1 million to at least eight Phoenix-area investors. Almost all of these viatical contracts involved insured individuals with life expectancies of 36 months, but the vast majority of the contracts have now

exceeded their projected maturity dates by more than two years.

Since 1996, Brugliera has served with Pristine Property as both a licensed real estate broker and a licensed insurance agent. Brugliera, however, was not registered to offer or sell securities in Arizona. As part of the Commission's order, Brugliera is not permitted apply to sell securities in Arizona or provide investment advice in Arizona for a period of five years from the date of the order, and may apply only after she has satisfied all the payment obligations to the state.

Troy Warren

Troy Warren, 45, of Chandler consented to the entry of a Commission order imposing a penalty of \$5,000 for selling unregistered stock in an online charitable funding-raising company, FreeFundRaisingPrograms.com, Inc. Warren admitted to the Commission's findings and agreed to return \$20,000 to investors.

The Commission found that from about June 9 through October 13, 2003, Warren offered and sold the unregistered shares to two Arizona residents. The investments were in the following dot.com companies, all of which are subsidiaries of his company, FreeFundRaisingPrograms.com, Inc.:

- AmericanClubPromotions.com, Inc.
- AmericanSchoolPromotions.com, Inc.
- AmericanChurchPromotions.com, Inc.

The shares in these companies offered and sold by Warren were not registered in Arizona, nor was Warren registered as a securities salesman.

The Commission found that Warren incorporated various businesses in Arizona, Florida and Nevada, and that he has previously issued unregistered stock while not being registered to sell securities. In 2000, Alaska regulators sanctioned Warren for issuing unregistered stock to Alaskan investors.

Investor Advisory

Before investing, people should verify the registration of sellers and securities by contacting the Arizona Corporation Commission's Securities Division at 602-542-4242 or toll free outside the Phoenix

metropolitan area and Arizona at 1-866-VERIFY-9. The Division's web site also has helpful information for investors at www.azinvestor.gov.

The Commission orders will be posted on the Securities Division website under Enforcement/Orders as soon as they are signed by all of the Commissioners. To access the full text of the Commission orders, please check the web site in a few days: <http://www.azinvestor.gov/enforcement/enforce-orders.asp>.

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